

Single Audits - How to Find Information

By: Marsha Guedry, CPA

May 8, 2006

When is a Single Audit required?

- OMB Circular A-133 and the Single Audit Act set the guidelines for single audits; These are both available on our website at:
www.lla.state.la.us, click on "Govt Assistance" in left column, then "Federal Guidance."
- Any state, local government or non-profit entity expending more than \$500,000 in federal awards in a fiscal year is required to have a single audit.
- The auditor must identify all federal programs administered by the auditee, and if the total expenditures are greater than \$500,000, a single audit is required.

Audit only Major Programs in a Single Audit.

- Follow Steps in **OMB Circular A-133 (Section 520)** to determine major programs
- **Step 1:** Identify Type A and Type B programs using calculated threshold amount,
- **Step 2:** Identify Type A programs which are low-risk (must have been audited in most recent 2 audit periods and no audit findings (with exceptions))
- **Step 3:** Identify Type B programs that are high-risk
- **Step 4:** Audit as major programs all Type A programs that are not low-risk, and either ½ of all high-risk Type B programs, or one high-risk Type B program for each low-risk Type A program; in addition audit programs as may be necessary to comply with the percentage of coverage rule (at least 50% of total federal awards expended, or 25% if low-risk auditee)

Use Compliance Supplement to do Testwork.

- 2006 Compliance Supplement released late April, 2006.
- Opinion on compliance is that auditee has complied with compliance requirements in compliance supplement that have a direct and material effect on the major programs.
- OMB Circular A-133 requires tests of Internal Control
- 14 overall compliance requirements are covered, and the auditor is required to test all that apply and have a direct effect on the program
- The work our office is doing at the JFO deals only with 2 of the requirements – Allowable Activities and Allowable Costs.
- Part 4 of the Compliance Supplement only covers specific information related to the programs included. Some of the requirements are the same for all programs, and are not covered in Part 4, but are covered in the other parts.
- Auditors should review all parts of the compliance supplement (Part 2 is the matrix, Part 3 covers all compliance requirements plus suggested audit procedures, Part 4 has specific program requirements, Part 5 includes clusters and work on Research and Development and Student Financial Assistance, Part 6 covers Internal Control, Part 7 includes what to do when program is not included in the Compliance Supplement)

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- The Appendixes of the Compliance Supplement include valuable information such as in Appendix 5 that includes the changes in the Compliance Supplement as compared to the previous year's document and Appendix 6 that includes Disaster Waivers and Special Provisions Affecting Single Audits. Pay particular attention to the procedures in Appendix 6 for auditees that have been impacted by Hurricanes Katrina and Rita.

Many new and large federal programs are being administered as a result of disasters.

- The discussions in class strictly relate to the Public Assistance Program (CFDA #97.036), many auditees, however, will be receiving funding from various other federal programs that should be considered in a Single Audit
- The funding may be received by a state agency or directly from a federal agency (Typically, Public Assistance will be received by a state agency - Office of Emergency Preparedness, who received the funding from FEMA)
- Payments by OEP for the Public Assistance Program are being captured in ISIS (the state's accounting system), and this information is posted to a spreadsheet on our website at www.lla.state.la.us, "Hurricanes Katrina and Rita Assistance, "Account of FEMA Public Assistance Monies Paid by Louisiana." The information can be copied into an Excel spreadsheet and sorted to find any payments paid to auditees. The spreadsheet is updated weekly.
- Payments from other federal programs are not being captured in this format. It will be up to the auditor to work with the auditee in determining what federal programs are being administered. While 2006 will have significant activity related to federal funding as a result of the disasters, we suspect 2007 to have even greater activity for the state. This may or may not be true for the local governments. Auditors will need to get a handle on what federal funding the auditee expects in 2007. This will determine whether or not a single audit will be required.

A Single Audit Requires Auditee to Prepare Schedule of Expenditures of Federal Awards (SEFA).

- The basis of determining when a federal award is expended is discussed in OMB Circular A-133, Section 205
- When an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the state, local government, or non-profit entity to comply with federal regulations and grant agreements, such as: expenditure/expense transactions, direct appropriations, disbursement of funds passed through to subrecipients, the use of loan proceeds under loan and loan guarantee programs, the receipt of property, the receipt of surplus property, the receipt or use of program income, the distribution or consumption of food commodities, etc.
- Florida has issued some guidance and questions/answers related to accounting for hurricane issues. While this guidance is not authoritative, it may provide auditors with some helpful information. Question #10 relates to the SEFA and FEMA reimbursement.

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Work Done by Legislative Auditor's Office as it relates to Single Audit Work.

- Work being done by our office at the JFO is strictly related to the Public Assistance Program (CFDA #97.036)
- Members of our staff are doing reviews of the Project Worksheets (PW's) for adequate documentation. They are not making management decisions as far as whether or not to make payments on the PW's. The auditors make recommendations to OEP management as to whether or not the expenditures represented in the PW's contain adequate documentation and are in compliance with FEMA regulations as to what is an allowable and reasonable expenditure. The original documentation of the expenditures being reimbursed should be maintained by the auditee. Auditors of the subgrantees (which will be some of you), will need to determine if the auditee has complied with the Allowable Activities/Allowable Costs compliance requirement following the testwork that they perform. Part of this will include determining if any questioned costs exist.
- To assist in testing Allowable Activities/Allowable Costs, issues and notes are documented in the database maintained by OEP. The database is called "LouisianaPA.com." A review of this database for auditees that have requested reimbursement from OEP for the hurricanes may provide the auditor with some valuable information in trying to determine what requests for reimbursement have been made and what issues the reviewers of the PW have found.
- Members of our staff have a vast knowledge of what FEMA has been allowing for reimbursement and have been working closely with FEMA since the disasters have occurred.
- OMB Circular A-87 provides basic guidelines for determining allowable costs and activities. To be allowable under federal guidelines, costs must meet general criteria as discussed in OMB Circular A-87. Part 4 of the 2006 Compliance Supplement discusses additional requirements for the Public Assistance Program (CFDA #97.036).

Other Requirements of a Single Audit.

- Report and Data Collection Form are due in to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.
- The Data Collection Form should be prepared in accordance with the specific instructions provided on the website at:

<http://harvester.census.gov/fac/collect/formoptions.html>

The form is completed by both the auditee and auditor, and representatives from both sign the form. The form containing the original signatures must be submitted to the clearinghouse.

- The reporting package shall include: Financial statements and the Schedule of Expenditures of Federal Awards, Summary Schedule of Prior Audit Findings, Auditor's Reports, and the Corrective Action Plans.

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- The Auditor's Reports shall state that the audit was conducted in accordance with this part and include:
 1. An opinion on the financial statements and Schedule of Expenditures of Federal Awards (SEFA)
 2. A report on internal control related to the financial statements and major programs.
 3. A report on compliance with laws and regulations as it relates to the financial statements and an opinion as to whether the auditee complied with laws and regulations and federal grant agreements which could have a direct and material effect on each major program.
 4. Where applicable, the audit reports should refer to the separate schedule of findings and questioned costs. This schedule is required to contain 3 components: Summary of Auditor's Results, Financial Statement Findings, and Federal Award Findings and Questioned Costs.